FLEET VEHICLE AGENCY

1998/99
ANNUAL REPORT

103-03336/

Yukon

Government Services
Box 2703, Whitehorse, Yukon Y1A 2C6

Our File:
Your File:

November 10, 1999

The Honorable David Sloan
Minister of Government Services
P.O. Box 2703
Whitehorse, Yukon Y1A 2C6

Dear Mr. Minister:

I have the honour to submit for your consideration the Annual Report for the Fleet Vehicle Agency (FVA) for the year ended March 31, 1999.

The FVA has taken important steps during its years of operation to finalize its information systems and improve service. I am pleased to note that revenues for 1998/99 at $2.0 million exceeded our forecast of $1.9 million as outlined in the Agency's Business Plan.

The pursuit of defined objectives and the delivery of good services will assist the FVA to meet the challenges of the future.

Respectfully submitted,

Peter Laight,
Deputy Minister

KLONDIKE
GOLD RUSH
CENTENNIAL

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November 10, 1999

We are pleased to present the Annual Report of the Fleet Vehicle Agency (FVA) for fiscal year 1998/1999. This report describes the Agency, the services it provides and its accomplishments as a special operating agency.

The FVA strives to continue meeting our commitment to provide value-added service to our clients. The results reported in this document were achieved by the management and staff of the FVA working in partnership to provide high quality, cost effective fleet management services to public sector clients. Our challenge for the future will be to continue to improve upon our performance while managing a growing fleet as a result of federal government programs being devolved to the Government of Yukon.

FVA management and staff acknowledge and thank the Yukon Government and our clients for their support of the SOA concept.

Dave Parfitt
Agency Head

Ray Pilloud
Chief Operating Officer

Yukon
Government Services

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OVERVIEW

Effective April 1, 1996, the Fleet Vehicle Agency (FVA) began operating as a Special Operating Agency (SOA) focused on customer service and managing for results.

The Agency manages the government's vehicle fleet to meet the ground transportation needs of all departments. All costs arising from the normal operation of vehicles are paid by the Agency. Costs are recovered through fees charged to the clients who use the vehicles. Vehicles may be assigned on a long-term or on a short-term basis from one of three central pools located in Whitehorse, Dawson City and Watson Lake.

AGENCY STRUCTURE

The Agency is a program of the Department of Government Services, responsible to the Deputy Minister of Government Services. As such, it is subject to government legislation, policies and directives, and contributes to the overall mission and mandate of the department.

The day-to-day business of the Agency is managed by the Chief Operating Officer, reporting to the Director, Supply Services Branch, who is the Agency Head.

MISSION

The mission of the Fleet Vehicle Agency is:

To help government departments and publicly funded agencies meet their objectives by procuring and managing efficient and affordable ground transportation services.

MANDATE

The Fleet Vehicle Agency is accountable for:

a) Managing delivery of ground transportation services in a business-like manner to ensure that the government's financial resources are used effectively.

b) Meeting the ground transportation needs of its customers by delivering services to them in a customer-oriented manner that enables them to focus on their core business.

c) Meeting the public policy objectives of the Government of the Yukon.

SERVICES

The fleet consists of cars, a variety of trucks, sport utility vehicles and passenger and cargo vans. Vehicles may be leased to government departments and agencies on long-term assignments or on a short-term basis from a central pool.

The following services are included with vehicles leased from the Agency:

- Each vehicle is assigned its own fleet credit card which is honored by the majority of commercial fuel and service suppliers. The Agency pays for all fuel and accounts for the recovery of various taxes for the Department of Finance.
- Vehicles are regularly cleaned and inspected for safety. Emergency equipment and radio phones are provided for winter driving.
- The Agency provides for a full maintenance and repair service which includes body damage repairs. These services are supplied through agreements with internal service providers or through contracts with private sources.
- Leasing rates charged by the Agency include the cost of collision repairs.
- With its monthly invoices, the Agency provides customers with vehicle usage reports: who used the vehicle, how far it was driven, where, number of days used, and cost.

1998/99 HIGHLIGHTS

- The Agency expanded its customer base. An agreement was negotiated for 1998/99 to supply vehicles to the Workers' Compensation Health and Safety Board. Yukon Energy Corporation is using FVA services to supplement their own fleet.
- Long term lease agreements were entered into with all Agency customers. These agreements assure customers that the number and types of vehicles required to support their programs will be available when needed.
- Invoices are customized to suit each client's needs.
- Agreements were signed with various workshops to ensure quick turnaround for maintenance and repairs, eliminating valuable downtime.
- Statistical and budgetary information supplied by the FVA is customized to suit each customer's requirements.
- The Agency has improved its financial record keeping and reporting system with the use of a small business accounting package entitled Quickbooks. The financial information generated by the system is used in conjunction with the Powerfleet Inventory Control Software installed earlier. Together they form a fully functioning

information system that can produce reports detailing usage and cost information for each vehicle.

- A customer satisfaction survey was completed early in the year. On a scale of one to five, five being excellent, the Agency averaged five.

- Special agreements continue to be available to departments that wish to retain their older vehicles for use close to headquarters.

- The Agency was actively working towards the implementation of a new Fleet Credit Card program which would result in faster invoicing from fuel suppliers and reduced data entry by Agency staff.

OPERATING RESULTS

Fleet Profile

At the start of fiscal year 1998/99, the fleet was made up of 298 vehicles: 244 were assigned to customers and 54 were in the central pools based in Whitehorse, Dawson City and Watson Lake.

During the year, 28 vehicles were sold and 12 new vehicles were purchased. At March 31, 1999 the fleet consisted of 282 vehicles.

The book value of the fleet is decreasing indicating the age of the fleet overall is increasing and the agency plans to improve this trend by increasing the purchase of vehicles starting in 1999/00.

	1997/98	1998/99
Total number of vehicles at start of fiscal year	249	298
Vehicles purchased	41	12
Vehicles acquired by transfer (devolution)	42	00
Vehicles sold	34	28
Total number of vehicles at fiscal year end	298	282
Recovery on vehicles sold ($000's)	$ 95	$ 52
Average return (net of disposal fees) ($000's)	$ 3	$ 2
Total book value at fiscal year end ($000's)	$2,560	$2,393
Average book value at fiscal year end ($000's)	$ 9	$ 8

Utilization Rates

A performance target of 16,000 kilometers per vehicle was established for 1998/99. The Agency did reach that target by averaging 16,809 kilometers per vehicle.

Cost Profile

The Agency operates on a fee-for-service basis. The rate structure includes:

a) a charge per kilometer to cover fuel and maintenance costs;

Operating expenses per kilometer:

	1997/98	1998/99
Fuel	$0.10	$0.08
Maintenance	0.07	0.07
Total	**$0.17**	**$0.15**

b) a rental rate per day, week, month or year to cover fixed costs such as personnel, administration, vehicle replacements and other operating expenses. Vehicle replacement costs include depreciation, inflation, and losses due to accidents.

Rental rate per kilometer:

	1997/98	**1998/99**
Personnel & administration	$0.06	$0.06
Vehicle replacements	0.15	0.17
Other operating expenses	.01	.01
Third Party rentals	.04	.05
Total	**$0.26**	**$0.29**

Revenues

From its customers, the agency collected 44¢ per kilometer driven. This is a 2¢ per kilometer increase from the Business Plan target of 42¢.

	1997/98	**1998/99**
Total kilometers driven (000's)	4,203.00	4,740.00
Revenues received per km	$ 0.43	$ 0.44
Total vehicle lease revenue ($000's)	$1,781.00	$2,078.00
All other revenues or (losses) ($000's)	26.00	(10.00)
Total revenues ($000's)	**$1,807.00**	**$2,068.00**

Fuel Efficiency

Gasoline costs account for approximately 23% of the agency's expenses. In its first year of operation, fiscal year 1996/97, the fuel consumption target was set at 16 liters per 100 kilometers. In the first year of operation, that target was reached at 15.9 liters per 100 kilometers. However, the target could not be met in the second year of operation (1997/98). A consumption ratio of 16.7 liters was achieved. This year, 1998/99, the target was surpassed with a fuel consumption of 15 liters per 100 kilometers.

	1997/98	1998/99
Total kilometers driven (000's)	4,203.00	4,740.00
Litres of fuel consumed (000's)	703.50	706.70
Consumption in liters per 100 km	16.70	15.00
Total fuel cost ($000's)	$ 409.00	$ 381.00
Average price per liter	$ 0.58	$ 0.54

SUMMARY

Unforeseen decreases in fuel prices and increases in third party leases in 1998/99 stabilized the funding available to replace vehicles in the fleet. The decrease in fuel prices offset the higher cost of third party rentals and provided additional vehicle replacement funding. To ensure the Agency can continue operations with the same rate structure and to ensure there are sufficient resources to upgrade and replace vehicles in the fleet when it is cost effective to do so, the Agency will concentrate on exploring and implementing new cost reduction measures during 1999/00 and will also be concentrating on upgrading the fleet through more vehicle purchases.

The Agency was obliged to lease vehicles from private sector suppliers in order to meet customer service demands. The cost of such leases was $184,000 in 1997. This cost increased to $236,000 in 1998. The Agency evaluated the efficiency of continuing this practice as opposed to increasing the size of the fleet to meet departmental transportation needs and have concluded that purchasing and owning vehicles is more cost effective then renting from the private sector (agreed to by Auditors during annual audit). Therefore, it is the Agency's plan to upgrade the fleet through more vehicle purchases.

In the coming year, service agreements with workshops will be reassessed. For example, the Central Workshop of C&TS has increased its labour rates by $5.00/hour. The Agency is reviewing its options for acquiring vehicle maintenance services in order to control costs.

The Agency will also explore ways to continue to reduce fuel consumption. One of the available ways is to downsize the type of vehicles used. A survey was held asking for customer input. Customers agreed that the Agency should purchase four passenger cars with four cylinder engines instead of five passenger cars with six cylinder engines but only to be used in certain regions. A review of the Preventive Maintenance Program will be undertaken to find ways to reduce operating costs.

A project to change the fleet credit cards to provide automatic billing capability is nearing completion. This will ensure that invoicing from the fuel suppliers is current, instead of being two to three months in arrears, and will reduce the amount of data entry for Agency staff. This project should be implemented by mid-year of 1999/00.

As the quality and accuracy of the Agency's operating information improves, FVA management will be able to re-evaluate its fee schedule and the assumptions on which the fee schedule is based.

The Agency continues to emphasize its commitment to customer service. Staff will avail themselves of customer service courses as they become available. Training on the financial accounting system will continue and cross training opportunities will be explored.

The Agency is looking at ways to offer Liability Insurance to those departments that could use it. Departments would have to apply for the insurance, once a year, through the FVA on selected assigned vehicles.

FLEET VEHICLE AGENCY

(A SPECIAL OPERATING AGENCY OF YUKON GOVERNMENT SERVICES)

FINANCIAL STATEMENTS

March 31, 1999

Fleet Vehicle Agency
(A Special Operating Agency of
Yukon Government Services)
Balance Sheet
As at March 31, 1999
(thousands of dollars)

	1999	1998
Assets		
Current		
Accounts receivable (note 3)	$ 26	$ 16
Capital assets (note 4)	2,393	2,560
	$2,419	**$2,576**
Liabilities and Accumulated Surplus		
Current		
Accounts payable and accrued liabilities	$ 135	$ 43
Due to Government of the Yukon (note 5)	594	1,318
	729	1,361
Accumulated surplus	1,690	1,215
	$2,419	**$2,576**

Legislative compliance (note 6)
The accompanying notes are an integral part of the financial statements.

Approved:

Deputy Minister
Yukon Government Services

Minister
Yukon Government Services

Fleet Vehicle Agency
(A Special Operating Agency of
Yukon Government Services)
Statement of Income
For the year ended March 31, 1999
(thousands of dollars)

	1999	1998
Revenue:		
Vehicle rentals and leases (note 3)	$2,078	$1,781
Gain (Loss) on disposal of capital assets	(10)	26
	2,068	1,807
Expenses:		
Vehicle service and repairs (note 3)	311	287
Registration and communications	27	17
Fuel	381	409
Vehicle rentals	236	184
Contract services (note 3)	30	30
Salaries and administration	274	246
Amortization	434	420
	1,693	1,593
Net income for the year	**$ 375**	**$ 214**

The accompanying notes are an integral part of the financial statements.

Fleet Vehicle Agency
(A Special Operating Agency of
Yukon Government Services)
Statement of Accumulated Surplus
For the year ended March 31, 1999
(thousands of dollars)

	1999	1998
Balance, beginning of year	$1,215	$1,001
Legislative appropriation	100	–
Net income for the year	375	214
Balance, end of year	**$1,690**	**$1,215**

The accompanying notes are an integral part of the financial statements.

Fleet Vehicle Agency
(A Special Operating Agency of
Yukon Government Services)
Statement of Changes in Financial Position
For the year ended March 31, 1999
(thousands of dollars)

	1999	1998
Operating activities		
Net income for the year	$ 375	$ 214
Items not involving cash		
Amortization	434	420
Loss (Gain) on disposal of capital assets	10	(26)
Increase in non-cash working capital	82	3
	901	611
Financing activities		
Legislative appropriation	100	–
Increase (Decrease) in due to Government of the Yukon	(724)	490
	(624)	490
Investing activities		
Acquisition of capital assets	(329)	(1,196)
Proceeds on disposal of capital assets	52	95
	(277)	(1,101)
Change during year, being cash, end of year	**$ –**	**$ –**

The Agency does not have cash. Cash is held and managed on behalf of the Agency by the Department of Finance, Government of the Yukon.

The accompanying notes are an integral part of the financial statements.

Fleet Vehicle Agency
(A Special Operating Agency of
Yukon Government Services)
Notes to the Financial Statements
For the year ended March 31, 1999

1. Authority and Operations

The Agency was established as a Special Operating Agency under the Fleet Vehicles Agency Charter with the approval of the Cabinet of the Government of the Yukon and commenced operations on April 1, 1996.

The Agency is a program of the Department of Government Services and is responsible for procuring and managing efficient and affordable ground transportation services for government departments and publicly funded agencies. The Agency is accountable for its activities as described in its charter. As a program of the Department, the Agency is subject to government legislation, directives and policy.

2. Significant Accounting Policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles.

Amortization

Capital assets were acquired from the Government of the Yukon on April 1, 1996, at their unamortized cost. Although the Agency is responsible for the operation and safeguarding of the capital assets, the Government of Yukon retains title to the assets.

Capital assets are estimated to have a salvage value at the end of their normal life equal to 10% of the original cost. Amortization is provided on a straight-line basis over the estimated normal life of the asset. Additions during the year are amortized at one-half the normal rate. No amortization is provided for in year of disposition.

The normal life for each asset is as follows:

Passenger cars	7 years
Cargo vans	10 years
Passenger vans	7 years
Pickup trucks	7 years
4 x 4 trucks	6 years
Heavy duty trucks	15 years
Stake trucks	10 years
2 x 4 utility vehicles	7 years
4 x 4 utility vehicles	7 years

Services provided without charge

The Agency does not record the value of services it receives without charge. These services include the following:

- use of office premises and vehicle parking area which are provided by the Government of the Yukon
- telephone, utilities, office and other overhead costs which are also provided by the Government of the Yukon
- interest free legislative appropriation and other advances from the Government of the Yukon

2. Significant Accounting Policies (continued):

Pensions

The employees of the Agency are deemed to be employees of the Government of the Yukon. Both the Agency and its employees make contributions to the Public Service Superannuation Plan administered by the Government of Canada. The Agency is only liable for current contributions which are expensed in the accounts on a current basis.

3. Related party transactions

The Special Operating Agency is related to the following parties in terms of being a program of the Department of Government Services.

Revenue consists of the following:

Government Departments

	1999	1998
	(thousands of dollars)	
Community and Transportation Services	$ 201	$ 197
Education	160	144
Economic Development	45	33
Renewable Resources	470	452
Government Services	424	402
Executive Council Office	27	21
Health and Social Services	413	244
Justice	119	127
Tourism	42	45
Other	15	11
	1,916	1,676

Corporations

Workers Compensation Board	46	-
Yukon Liquor Corporation	16	14
Yukon Housing Corporation	41	44
Other	59	47
	162	105
	$2,078	**$1,781**

Fleet Vehicle Agency
(A Special Operating Agency of
Yukon Government Services)
Notes to the Financial Statements
For the year ended March 31, 1999

3. Related party transactions (continued):

Capital asset acquisition:

	1999	1998
	(thousands of dollars)	
Vehicle acquisition		
Workers Compensation Board	$37	$-
	$37	**$-**

Expenses include the following:

	1999	1998
	(thousands of dollars)	
Vehicle service and repairs		
Community and Transportation Services	$273	$263
Contract services		
Property Management Agency	30	30
	$303	**$293**

Accounts receivable consists of the following:

	1999	1998
	(thousands of dollars)	
Workers Compensation Board	$6	$3
Yukon College	15	8
Yukon Housing Corporation	3	3
Other	2	2
	$26	**$16**

4. Capital Assets

	1999			1998
	(thousands of dollars)			
	Cost	Accumulated Amortization	Net	Net
Passenger Cars	$1,067	$361	$ 706	$ 868
Cargo Vans	666	210	456	493
Passenger Vans	212	90	122	126
Pick Up Trucks	220	87	133	142
4 x 4 Trucks	743	308	435	567
Heavy Duty Trucks	97	11	86	24
Stake Trucks	17	5	12	17
2 x 4 Utility Vehicles	97	37	60	88
4 x 4 utility Vehicles	483	100	383	235
	$3,602	**$1,209**	**$2,393**	**$2,560**

Fleet Vehicle Agency
(A Special Operating Agency of
Yukon Government Services)
Notes to the Financial Statements
For the year ended March 31, 1999

5. Due to Government of the Yukon

Due to Government of the Yukon is a long term advance to the Agency consisting of the following:

- capital assets acquired by the Government of the Yukon prior to establishment of the Agency or through the devolution of Federal Government Programs, for use by the Agency; and
- cash received or disbursed by the Government of the Yukon on behalf of the Agency, since the Agency's establishment at April 1, 1996.

The advance is non-interest bearing and there are no fixed terms of repayment.

6. Legislative Compliance

The Fleet Vehicle Revolving Fund is governed by subsection 44.3 of the Financial Administration Act.

- 44.3 (1) states that the Fund limit shall be $8,000,000. An amendment to the Financial Administration Act was passed in November, 1997 that increased the limit by $2,000,000 from $6,000,000. The balance of the Revolving Fund at March 31, 1999 was $2,419,000 and at March 31, 1998, was $2,576,000.
- 44.3 (2) states that the accumulated capital and operations and maintenance expenditures, excluding amortization, shall not exceed the accumulated revenues in the Fund at the time of expenditure. The following schedule shows that this legislative requirement has been met.

	1999	1998
	(thousands of dollars)	
Opening Balance, April 1	$1,060	$ 1,407
Revenues from operations	2,068	1,807
Legislative appropriation	100	-
	3,228	3,214
Capital expenditures	329	981
Operations and maintenance expenditures	1,693	1,593
Less: Amortization	(434)	(420)
	1,588	2,154
Excess of revenues over expenditures, as defined in subsection 44.3(2)	**$1,640**	**$1,060**

6. Legislative Compliance (continued)

- 44.3 (3) states that capital expenditures from the fund shall not exceed $1,200,000 in a fiscal year. An amendment was made to the Financial Administration Act in November, 1997 which increased this limit by $200,000 from $1,000,000. Capital expenditures for the year ended March 31, 1999, were $329,000 and for the year ended March 31, 1998, were $981,000.

7. Uncertainty due to the Year 2000 Issue

- The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. The effects of the year 2000 issue may be experienced before, on, or after January 1, 2000, and, if this issue is not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Agency's ability to conduct normal business operations.

  The Agency is currently working to resolve the potential effect of the year 2000 issue on its operations. Despite the Government's and Agency's efforts to address this issue, it is not possible to be certain that all aspects of the year 2000 issue affecting the Agency, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.